

Message Text

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ACTION NEA-09

INFO OCT-01 ISO-00 FBOE-00 A-01 /011 W

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R 230515Z MAR 75

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 2729

UNCLAS SECTION 1 OF 2 ABU DHABI 0622

DEPT FOR WILLIAMSON

E.O. 11652: N/A

TAGS: ABLD, AFSP, TC

SUBJ: AMBASSADOR'S RESIDENCE

REF: ABU DHABI 1366

1. ON FEBRUARY 10, BANK OF CREDIT AND COMMERCE, IN CONJUNCTION WITH EMBASSY AND TAC (THE ARCHITECTS COLLABORATIVE) SENT OUT TO TENDER THE DESIGN SPECIFICATIONS FOR THE AMERICAN AMBASSADOR'S RESIDENCE IN ABU DHABI. THE TENDER CLOSED MARCH 13 WITH THREE OF THE SIX TENDERS RETURNING BIDS. UNFORTUNATELY FOR ALL CONCERNED, ALL THREE CAME IN WITH BIDS WELL IN EXCESS TO WHAT WE HAD ESTIMATED. IN FACT, TAC HAD ESTIMATED THE COST WOULD BE IN THE NEIGHBORHOOD OF DH. 1.5 MILLION. THIS IN FACT WAS WITHIN OUR BUDGETED AMOUNT. HOWEVER, BIDS RANGED FROM DH 2.4 TO DH. 3 MILLION. TAC, IN COLLABORATION WITH LOCAL QUANTITY SURVEYORS, HAS PROMISED BANK AND US A SUMMARY OF THE BIDS, BUT WHILE SOME SHAVING MAY BE POSSIBLE, IT WILL NOT BRING BIDS ANYWHERE CLOSE TO OUR BUDGETED AMOUNT.

2. WIDE DISCREPANCY BETWEEN PREVIOUS ESTIMATES OF CONSTRUCTION AND ACTUAL BIDS COME AS UNPLEASANT SURPRISE TO BOTH OURSELVES AND TAC. IN EMBASSY'S VIEW, ARCHITECTS MUST TAKE LARGE PART OF RESPONSIBILITY FOR HAVING INSISTED ON DESIGN WHICH EVERYBODY LIKED BUT WHICH WAS SIMPLY NOWHERE CLOSE TO AMOUNT WHICH FROM VERY BEGINNING THEY KNEW TO BE OUR LIMIT. BUT TO BE FAIR, TAC WAS ALSO AT OUTSET GIVEN FBO SPECIFICATIONS FOR CLASS IV COM RESIDENCE,
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AND KNOWING THAT WE WANTED OPTION TO BUY AT SOME LATER

DATE, DID THEIR BEST TO COME UP WITH DESIGN THAT WAS IN KEEPING WITH THOSE SPECIFICATIONS. TAC NEVERTHELESS SHOULD HAVE HAD A BETTER HANDLE ON WHAT IT COSTS TO BUILD IN ABU DHABI AND INFORMED US MUCH EARLIER IN THE GAME THAT WHAT WERE TRYING TO DO, WITH AMOUNT THEY ORIGINALLY THOUGHT REASONABLE, WAS IN FACT IMPOSSIBLE.

3. AS NEA/EX AND FBO KNOW, OUR OBJECTIVE HAS BEEN TO EFFECT COMPROMISE BETWEEN LEASING AND BUYING COM RESIDENCE IN ABU DHABI. WE HAVE BEEN FORCED TO ATTEMPT THIS BY TWO FACTORS (A) UNAVAILABILITY OF FBO FUNDS TO BUY OR BUILD, AND (B) THE FACT THAT SHAIKH ZAYID HAS GIVEN US A PLOT OF LAND WITH THE EXPECTATION THAT WE WILL BUILD A SUITABLY REPRESENTATIONAL STRUCTURE. THROUGH PERSONAL CONNECTION WITH BANK WE HAVE SUCCEEDED IN ARRANGING FINANCING TERMS THAT ARE FAR BETTER THAN ANY OTHER BANK OR ENTREPRENEUR WILL GIVE US. BUT WE REGRETFULLY NOW CONCLUDE THAT IT IS PROBABLY IMPOSSIBLE TO ACHIEVE COMPROMISE SOLUTION WE HAD HOPED. IF WE HAVE STRUCTURE BUILT WHICH WE CAN LEASE WITHIN REASONABLE AMOUNT OF MONEY OUT OF OPERATING EXPENSE FUNDS, IT WILL NOT BE HOUSE WE WILL EVENTUALLY WANT TO ACQUIRE.

4. AT THIS POINT THERE SEEMS TO BE FOUR POSSIBLE WAYS TO PROCEED:

(A) WE CAN TERMINATE OUR RELATIONSHIP WITH TAC AND BEGIN IMMEDIATELY AGAIN WITH LOCAL ARCHITECT WHO MAY HAVE KEENER SENSE OF HOW TO CUT COSTS IN ABU DHABI, IN EFFORT TO DESIGN BEST HOUSE POSSIBLE WITHIN OUR DH. 1.5 MILLION FIGURE. BECAUSE TAC STARTED OFF WITH DESIGN THAT HAD A LITTLE BIT OF ORIGINALITY AND STYLE, WE BELIEVE SOME MONEY COULD BE SAVED BY STARTING WITH SIMPLER CONCEPT. HOWEVER, ANY SAVINGS THUS EFFECTED IS LIKELY TO BE WIPED OUT BY FACT THAT WE HAVE LOST SIX MONTHS AND BUILDING COSTS IN GULF ARE STEADILY RISING. MOREOVER, WE WOULD STILL END UP WITH HOUSE THAT IS, IN TERMS OF FLOOR SPACE AND APPEARANCE, ONLY marginally BETTER THAN WHAT AMBASSADOR IS LIVING IN NOW. WE THEREFORE DO NOT THINK THIS OPTION IS WORTH PURSUING.

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(B) WE CAN DROP PLANS TO BUILD ENTIRELY AND CONCENTRATE ON TRYING TO FIND LEASED QUARTERS THAT WILL REPRESENT SOME IMPROVEMENT OVER AMBASSADOR'S PRESENT HOME. WE WOULD TRY TO HANG ON TO PLOT OF LAND SHAIKH HAS GIVEN US FOR AS LONG AS POSSIBLE, BUT IF PRESSED WOULD RETURN IT TO GOVERNMENT WITH EXPLANATION THAT WE HAVE DECIDED TO LEASE UNTIL WE CAN ASSESS ADVANTAGES OF BUILDING BOTH

RESIDENCE AND CHANCERY ON LAND THAT HAS BEEN RESERVED FOR US IN DIPLOMATIC ENCLAVE. THIS WOULD PUZZLE AND POSSIBLY IRRITATE SHAIKH ZAYID AFTER WE HAD URGED HIM TO GIVE US PLOT OF LAND, BUT EVEN THIS MIGHT BE MANAGEABLE IF WE HAD IN SIGHT PROSPECT OF FINDING SUITABLE LEASED HOUSE IN NEAR FUTURE. UNFORTUNATELY VERY LITTLE IF ANYTHING ALONG THESE LINES IS BEING BUILT IN ABU DHABI. HOMES SEEM TO BE EITHER GRANDIOSE SHAIKHS' PALACES WHICH ARE UNLIVABLE BY WESTERN STANDARDS AND WOULD BE OUTRAGEOUSLY EXPENSIVE TO LEASE, OR ECONOMY-MINDED (IN LOCAL CONTEXT) THREE-BEDROOM HOUSES.

(C) WE CAN ALLOCATE HIGHER AMOUNT OUT OF OE SO AS TO BE ABLE TO BUILD TAC DESIGN. WE HAVE NOT APPROACHED BANK ABOUT THIS AS YET AND DO NOT KNOW WHAT EXACT AMOUNT WOULD BE, BUT EXTRAPOLATING FROM OUR PRESENT TERMS IT WOULD BE SIGNIFICANTLY HIGHER SUM -- ON ORDER OF \$70,000-\$80,000 PER ANNUM. WE DO NOT EVEN KNOW IF BANK WOULD BE WILLING LEND US REQUISITE SUM. AT MINIMUM THEY WOULD CHARGE US HIGHER INTEREST RATE WHICH WOULD RAISE COST OF LEASE. IN ANY CASE, THIS SEEMS VERY LARGE SUM OF MONEY TO BE SHELLING OUT FOR LEASE OF CLASS IV RESIDENCE AND IT DOES NOT STRIKE US AS SENSIBLE EXPENDITURE OF GOVERNMENT MONEY.

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